

## Message Text

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ACTION EA-12

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C O N F I D E N T I A L SECTION 1 OF 3 PEKING 1675

E.O. 11652: GDS  
TAGS: EEWT CH US  
SUBJ: AMERICAN PARTICIPATION AT 43RD CHINESE EXPORT COMMODITIES  
FAIR

REF: A) PEKING 1233, B) PEKING 1272

1. SUMMARY: ALTHOUGH THE NUMBER OF AMERICAN BUSINESSMEN  
ATTENDING THE 43RD CHINESE EXPORT COMMODITIES FAIR (CECF)  
IN CANTON THIS SPRING WAS LOWER THAN THE PREVIOUS TWO  
FAIRS, THE VOLUME OF BUSINESS CONCLUDED WAS COMPARABLE.  
MOST OF THE CHINESE FOREIGN TRADE CORPORATIONS (FTC'S)  
SOLD ABOUT THE SAME AMOUNT TO AMERICAN BUYERS AS LAST FALL.  
US PURCHASES, TOTALLING ABOUT \$44 MILLION, INCLUDED  
FAMILIAR ITEMS IN THE ARTS AND CRAFTS, TEXTILES, APPAREL,  
AND NATIVE PRODUCTS AND ANIMAL BY-PRODUCTS AREAS. HOWEVER,  
AMERICAN PURCHASES OF TEXTILES AND APPAREL IN CANTON WERE  
DOWN SHARPLY FROM THE PREVIOUS FAIR, DUE TO CONTRACTS  
CONCLUDED PRIOR TO THE FAIR IN PEKING AS WELL AS THE  
PRESENCE OF A CHINESE TEXTILE SELLING MISSION IN THE  
US WHEN THE FAIR OPENED. METALS TRADE WAS HIGHLIGHTED  
BY THE AVAILABILITY OF TUNGSTEN AND INVOLVEMENT OF US  
FIRMS IN SALES OF IRON ORE AND PIG IRON, TO BE SUPPLIED  
FROM THIRD COUNTRIES. IN CHEMICALS, THE CHINESE MARKET FOR  
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AGRICULTURAL CHEMICALS IN BECOMING MORE IMPORTANT THAN  
INDUSTRIAL CHEMICALS. US FIRMS REPORTEDLY MADE MAJOR  
SALES OF ARTIFICIAL FIBERS PRIOR TO AND DURING THE FAIR.  
CHINESE TALKED ABOUT GREATER FLEXIBILITY IN THE AREAS OF  
LABELING, PACKAGING, STYLING, AND USE OF CUSTOMER-SUPPLIED  
RAW MATERIALS AND EQUIPMENT, BUT WHETHER ANY REAL  
BREAKTHROUGHS CAN BE ACHIEVED WHICH WILL SIGNIFICANTLY

INCREASE US IMPORTS FROM CHINA IN THE NEAR FUTURE REMAINS HIGHLY PROBLEMATIC. HOWEVER, FTC'S DID SHOW GREATER FLEXIBILITY ON SUCH CONTRACTUAL MATTERS AS USE OF D/P PAYMENT TERMS AND USE OF CURRENCIES OTHER THAN RMB. USLO OFFICERS AT THE FAIR HAD MORE EXTENSIVE AND GENERALLY MORE PRODUCTIVE MEETINGS WITH PRC TRADE OFFICIALS THAN IN THE PAST. THE USLO HOSPITALITY SUITE IN THE TUNG FANG HOTEL CONTINUES TO BE HEAVILY USED AND APPRECIATED BY AMERICAN BUSINESSMEN. END SUMMARY.

2. ATTENDANCE: ACCORDING TO A FAIR OFFICIAL, APPROXIMATELY 500 AMERICAN BUSINESSMEN ATTENDED THE SPRING FAIR HELD FROM APRIL 15 TO MAY 15. THIS IS DOWN SHARPLY FROM THE LEVELS AT THE PREVIOUS TWO FAIRS. THE OFFICIAL SUGGESTED THAT AMERICAN BUSINESSMEN WHO HAD NOT DONE MUCH BUSINESS IN THE PAST HAD NOT BEEN REINVITED BY THE FOREIGN TRADE CORPORATIONS. WHILE THIS IS PROBABLY TRUE, WE BELIEVE SOME US BUSINESSMEN WHO RECEIVED INVITATIONS DECLINED TO ATTEND BECAUSE OF THEIR PAST EXPERIENCES AT THE FAIR (E.G. THE SUPPLY PROBLEMS AND THE PROTRACTED NATURE OF THE DISCUSSIONS) OR DUE TO OTHER COMMITMENTS. THE SILK AND COTTON DELEGATION WHICH ARRIVED IN THE US AT THE OPENING OF THE FAIR MAY HAVE AFFECTED ATTENDANCE BY US TEXTILE BUYERS. ALSO, SINCE VISAS FOR TOURISM ARE NOW EASIER TO OBTAIN, THE NUMBER OF BUSINESSMEN WHO WERE ESSENTIALLY TOURISTS PROBABLY

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DECLINED. FINALLY, WHILE THERE WERE STILL FIRST-TIME INVITEES, THE NUMBER SEEMED LOWER. REPRESENTATIVES OF 210 AMERICAN FIRMS VISITED THE USLO AND NATIONAL COUNCIL FOR US/CHINA TRADE (NCUSCT) OFFICES AT THE FAIR. TAKING INTO ACCOUNT FIRMS WHICH DID NOT TOUCH BASE WITH US OR WHO VISITED BUT DID NOT REGISTER, THERE WERE PROBABLY MORE THAN 275 AMERICAN FIRMS REPRESENTED AT THE FAIR.

3. OVERVIEW: IN GENERAL, THE CHINESE FTC OFFICIALS SHOWED MORE OPENNESS THAN IN THE PAST. THEY WERE MORE WILLING TO GIVE INFORMATION ABOUT THEIR OPERATIONS AND PROBLEMS, AND ACTIVELY SOLICITED MARKETING INFORMATION ABOUT THE US FROM AMERICAN IMPORTERS AND THE NCUSCT. IN THE AREA OF PRICES, THE CHINESE SHOWED MUCH MORE SENSITIVITY TO TRENDS IN INTERNATIONAL MARKETS. FOR THOSE ITEMS IN SHORT SUPPLY, OR EXPERIENCING STRONG DEMAND, PRICES WERE ADJUSTED UPWARDS, WHILE FOR OTHER COMMODITIES PRICES WERE MAINTAINED AT PREVIOUS LEVELS OR EVEN LOWERED IF CONDITIONS WARRANTED. CHRONIC SUPPLY PROBLEMS REMAIN FOR MOST COMMODITIES; THERE HAS BEEN LITTLE IMPROVEMENT IN THIS AREA. FTC OFFICIALS PROMISED A BETTER SUPPLY SITUATION IN THE FUTURE. AS

IN THE PAST, FIRST PRIORITY FOR GOODS IN LIMITED SUPPLY  
WENT TO FIRMS WITH LONG TIME TRADING RELATIONS WITH THE  
PRC; THIS SYSTEM SEEMS FORMALIZED TO THE POINT OF PRECISE  
ALLOCATIONS BY FIRM FOR SOME COMMODITIES.

4. METHODS OF DOING BUSINESS: THERE HAS BEEN A FAIR  
AMOUNT OF PUBLICITY ON ALLEGED NEW FLEXIBILITY ON THE  
PART OF THE FTC'S IN THEIR METHODS OF CONDUCTING  
BUSINESS. THE CHINESE THEMSELVES HIGHLIGHTED SOME NEW  
PRACTICES IN A MAY 15 NCNA RELEASE ON THE FAIR. IN SOME  
CASES, THESE REPRESENT A CONTINUATION OR EXPANSION  
(ALBEIT WITH OFFICIAL ENDORSEMENT) OF PREVIOUS POLICIES  
OF PARTICULAR FTC'S. DEPARTMENT AND COMMERCE SHOULD  
ALERT AMERICAN IMPORTERS TO THESE PRACTICES, AS THEY  
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MAY OPEN UP NEW PROSPECTS. AT THE SAME TIME, HOWEVER,  
WE WOULD CAUTION THAT FEW AMERICAN FIRMS WERE ABLE TO MAKE  
ANY BREAKTHROUGHS AT THIS FAIR; THAT PRACTICES VARY  
WIDELY BY CORPORATION; THAT A GOOD DEAL OF PREPARATION  
AND NEGOTIATION MAY BE REQUIRED BY THE AMERICAN FIRM TO  
TAKE ADVANTAGE OF THESE ARRANGEMENTS; AND THAT IN SOME  
CASES CHINESE FACTORIES MAY BE UNWILLING OR UNABLE TO  
FOLLOW-UP ON ARRANGEMENTS NEGOTIATED ON THEIR BEHALF BY  
THE FTC'S. THE PRINCIPAL NEW DEVELOPMENTS ARE AS FOLLOWS:

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AMEMBASSY TOKYO

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CORRECTED COPY (TEXT)

A) PACKAGING WITHOUT CHINESE TRADEMARKS, OR WITH THE PRIVATE BRANDS OF THE BUYER. THIS HAS BEEN A PERENNIAL ISSUE FOR US IMPORTERS. CHINATEX AND LIGHT INDUSTRY NOW APPEAR WILLING TO BE RESPONSIVE IN THIS AREA, BUT ONLY FOR LARGE BUYERS. ADVANCE NOTIFICATION AND DETAILED NEGOTIATION MAY BE NECESSARY.

B) USE OF CUSTOMER-PROVIDED DESIGNS, RAW MATERIALS, EQUIPMENT, MOLDS, ETC. CHINESE OFFICIALS CLAIMED THIS WAS NOT A NEW POLIC, BUT PAST PRACTICE HAS EEN SPOTTY. WITH EXCEPTION OF A FEW APPAREL AND FOOTWARE ITEMS, WE ARE NOT AWARE OF ANY AMERICAN FIRMS WHICH HAVE SUPPLIED RAW MATERIALS OR EQUIPMENT, AND THERE MAY BE CONSIDERABLE ADMINISTRATIVE DIFFICULTIES IN MAKING ARRANGEMENTS. IT MAY BE NECESARY FOR US IMPORTERS TO INITIATE DIRECT CONTACTS WITH THE CHINESE PRODUCING UNIT INVOLVED. (WE HEARD OF ONE CASE INVOLVING A NON-US FIRM WHICH SUPPLIED EQUIPMENT GRATIS TO A CHINESE FACTORY, BUT FOR UNDETERMINED REASONS THE EQUIPMENT WAS NEVER PUT INTO OPERATION AND THE PROJECT HAD TO BE ABANDONED.)

C) COMMODITY BARTER ARRANGEMENTS. AGAIN, THESE MAY BE DIFFICULT TO ARRANGE, BUT THERE MAY BE SOME POSSIBILITIES FOR US FIRMS DEALING IN A WIDE RANGE OF COMMODITIES.  
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ONE ARRANGEMENT INVOLVING ROSIN AND DMT WAS REPORTED IN REFTEL (A) PARA 4.

D) "FLEXIBLE PRICING;" CLOSER ADHERENCE TO INTERNATIONAL PRICES AND TRADE TERMS. AT THIS FAIR CHINESE DID SEEM TO PAY MORE ATTENTION TO INTERNATIONAL PRICE TRENDS. HOWEVER, RIDICULOUSLY HIGH PRICES WERE QUOTED FOR SOME COMMODITIES IN SHORT SUPPLY, AND PRC OFFER PRICES FOR CHEMICALS AND METALS WERE SOMETIMES UNREALISTIC. AS THE FAIR DREW TO A CLOSE, PRICES WERE SOMETIMES ADJUSTED TO MORE REALISTIC LEVELS. "FLEXIBLE PRICING," IN SOME CASES (E.G. CARPETS) MEANT THAT THE CHINESE GAVE DISCOUNTS FAVORING WHOLESALE IMPORTERS OVER RETAILERS. SOME FTC'S WERE WILLING TO ACCEPT D/P PAYMENT TERMS FOR WELL-ESTABLISHED CUSTOMERS. THE FTC'S ALSO SHOWED GREATER WILLINGNESS TO DENOMINATE CONTRACTS IN CURRENCIES OTHER THAN RENMINBI.

E) COMPLIANCE WITH USG REGULATIONS. THE FTC OFFICIALS WERE MORE WILLING TO DISCUSS THESE REGULATIONS AND THERE HAS BEEN LIMITED PROGRESS IN SOME AREAS; E.G., FILLING OUT US CUSTOMS FORMS. PROGRESS IN OTHER AREAS, HOWEVER, CONTINUES TO BE DISCOURAGING. FOR EXAMPLE, NCUSCT VP STAN YOUNG AND HONG KONG REP JOHN KAMM IN A SESSION ON APRIL 19 WITH CEROILFOODS DELEGATION LEADER CHANG TSIEN-HUA (FORMER PRCLO COMMERCIAL SECTION CHIEF) HAD ANOTHER LONG EXCHANGE ON THE QUESTION OF FDA REGULATIONS FOR LOW-ACID CANNED FOODS. DESPITE

STRENUOUS NCUSCT EFFORTS IN THE PAST TO ENLIGHTEN THE CHINESE ON THESE REQUIREMENTS, COMPLIANCE IS UNSATISFACTORY AND US IMPORTS OF PRC CANNED FOODSTUFFS STAGNANT (FOR FURTHER DISCUSSION OF PROBLEMS IN US IMPORTS FROM PRC, SEE REFTEL B.)

5. CONTACTS WITH PRC OFFICIALS: AS AT THE RECENT FAIRS, USLO OFFICERS WERE ABLE TO CALL ON REPRESENTATIVES OF ALL THE FTC DELEGATIONS AT THE FAIR, AS WELL AS CCPIT AND CONFIDENTIAL

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FAIR OFFICIALS. ALTHOUGH THE CHINESE CONTINUE TO BE CAUTIOUS IN THEIR MEETINGS WITH US OFFICIALS (LESS OPEN, FOR EXAMPLE, THAN WITH NCUSCT REPRESENTATIVES), IN SEVERAL CASES THEY WERE MORE WILLING THAN IN THE PAST TO DISCUSS CONCRETE PROBLEMS IN US/PRC TRADE, AND EXPRESSED INTEREST IN MORE CONTACTS WITH USLO COMMERCIAL OFFICERS. FOR EXAMPLE, USLO OFFICER WAS INVITED BY US BUSINESSMEN AND OFFICIALS OF NATIVE PRODUCE TO DISCUSS THE POSSIBILITY AS WELL AS THE APPROPRIATE VEHICLE FOR A VISIT TO CHINA BY ONE OF FDA'S TEA INSPECTORS. BOTH SIDES CLEARLY STATED THAT THE MEETINGS WERE PRELIMINARY AND INFORMAL BUT WITHIN THAT CONTEXT THERE WAS A USEFUL AND RELAXED EXCHANGE OF VIEWS. IN A CONVERSATION WITH USLO OFFICER (HONG KONG 5885), AS WELL AS IN COMMENTS TO AN AMERICAN JOURNALIST, CCPIT AND FAIR OFFICIAL SUN FANG BACKED AWAY FROM REMARKS ATTRIBUTED TO HIM IN AN ASIAN WALL STREET JOURNAL REPORT WHICH APPEARED TO ENDORSE THE POSSIBILITY OF US EXIM BANK CREDITS FOR THE PRC. SUN STATED ESSENTIALLY THAT THE QUESTION OF EXTENSION OF SUPPLIER-TYPE CREDITS IS AN INTERNAL US MATTER. IN CONVERSATIONS WITH USLO OFFICERS AND PRIVATE BUSINESSMEN, CHINESE OFFICIALS CITED THE LACK OF MFN TARIFF TREATMENT AND THE LACK OF FULL POLITICAL NORMALIZATION AS THE MAJOR IMPEDIMENTS TO BILATERAL TRADE. APPROXIMATELY 55 CHINESE OFFICIALS ATTENDED THE USLO RECEPTION ON MAY 8.

6. TRADE BY CORPORATION: FOLLOWING IS A SUMMARY OF MAIN DEVELOPMENTS IN US BUSINESS AT THE FAIR WITH EACH OF THE EIGHT PRINCIPAL FTC'S REPRESENTED THERE. LEVELS OF BUSINESS GIVEN ARE ROUGH ESTIMATES MADE BY USLO OFFICERS TOGETHER WITH NCUSCT REPRESENTATIVES. FIGURES RELEASED LATER BY NCUSCT WILL BE HIGHER BECAUSE THAT ORGANIZATION INCLUDES ALL TRANSACTIONS INVOLVING AMERICAN FIRMS -- INCLUDING SALES FROM NON-US SURCES AND PURCHASES TO NON-US DESTINATIONS.

A) CEROILFOODS: US FIRMS PURCHASED ABOUT \$2 MILLION, INCLUDING CONFIDENTIAL

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MARDARIN ORANGES, SOY SAUCE, MUSHROOMS, ETC.  
BUT PROSPECTS ARE CLOUDY BECAUSE OF FDA PROBLEMS MENTIONED  
ABOVE. PRICE OF CHINESE FROZEN SHRIMP WAS HIGHER  
THAN OTHER SOURCES; US IMPORTERS DID NOT BUY ANY.  
REPORTS OF MAJOR CANADIAN PROBLEMS WITH MALING CANNED  
PORK LUNCHEON MEAT (RECALLED FOR BOTULISM) AND CANNED  
MUSHROOMS (DEFECTIVE CANS) ALSO DEPRESSED MARKED. SOME  
US GRAIN DEALERS VISITED FAIR, BUT NO SALES REPORTED.

B) NATIVE PRODUCE AND ANIMAL BYPRODUCTS: US  
PURCHASES OF ABOUT \$13.5 MILLION, DOWN SLIGHTLY FROM THE  
PREVIOUS THREE FAIRS. NUMBER OF US BUYERS INTERESTED  
IN FEATHERS AND DOWN WAS LESS THAN HALF OF PREVIOUS FAIR, AND  
PURCHASES WERE DOWN SHARPLY DUE TO LIMITED SUPPLIES,  
UNSUITABLE GRADES, AND HIGH PRICES (REPORTEDLY, CHINESE  
MAINTAINED THE PRICE DIFFERENTIAL BETWEEN EUROPEAN AND THE  
US BUYERS BUT LIFTED THE BAN ON REEXPORTS); CHINESE  
WERE BRESSING SALES OF FEATHER AND DOWN FILLED PRODUCTS  
(E.G. SKI JACKETS) BUT SOME BUYERS REPORTEDLY QUALITY PROBLEMS.  
CARPET PRICES WERE RAISED OVER PREVIOUS FAIR, AND TOP  
QUALITY WOOL CARPETS NOT AVAILABLE FOR DELIVERY UNTIL  
SPRING 1979; US MARKET FOR CHINESE CARPETS CONTINUES  
TO BE SLUGGISH. PRICES ALSO HIGHER FOR CASHMERE, AND  
ALLOCATION FOR US REPORTED DOWN BY ONE-THIRD FROM  
PREVIOUS FAIR. CASHEWS WERE AVAILABLE IN REASONABLE  
QUANTITIES AND PRICES BUT SEVERAL BUYERS HAVE REPORTED  
QUALITY PROBLEMS. TOP QUALITY TEAS WERE IN SHORT SUPPLY

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BUT SOME PURCHASES MADE. ESSENTIAL OILS AND SPICES, WERE IN SHORT SUPPLY DUE TO MEDIOCRE HARVEST, AND PRICES WERE HIGH. US BUYERS ALSO PURCHASED AMBOO PRODUCTS, AROMATIC CHEMICALS, CASSIA, BRISTLES, ANGORA AND FINE HAIR, DRIED APPLE RINGS, LICORICE, AND ROSIN. BAMBOO WORMS ARE A PROBLEM YET UNSOLVED. REPORTEDLY, AN AMERICAN FIRM WAS ASSISTING THIS FTC WITH US IMPORT REGULATIONS FOR GINSENG, AND IS SEEKING FDA APPROVAL TO HAVE GINSENG CLASSIFIED AS A FOODSTUFF.

C) CHINATEX: US PURCHASES WERE APPROXIMATELY \$10 MILLION, DOWN FROM 15.6 MILLION AT FALL FAIR (BUT HIGHER THAN PREVIOUS FAIRS). US SALES OF ARTIFICIAL FIBERS TOTALED ABOUT \$10 MILLION. PRICES REPORTED TO BE GENERALLY STABLE. SOME CONTRACTS WERE NEGOTIATED AND SIGNED IN PEKING PRIOR TO THE FAIR. SILK ITEMS WERE POPULAR - AND IN SHORT SUPPLY. THIS CORPORATION HAS FREQUENTLY SIGNED CONTRACTS WHICH THEY COULD NOT HONOR. HOWEVER, CHINATEX HAS BEEN THE MOST FLEXIBLE IN ADAPTING TO IMPORTERS' DESIGNS AND USING IMPORTER-PROVIDED MATERIALS (E.G., ZIPPERS). US FIRMS REPORTEDLY SOLD POLYESTER FIBER AND NYLON TIRE CORD. CHINESE SALES TO US FIRMS MAY HAVE BEEN AFFECTED BY THE PRESENCE OF A SILK AND COTTON DELEGATION IN THE US WHEN THE FAIR OPENED.

D) LIGHT INDUSTRY: TOTAL US PURCHASES WERE ABOUT \$2  
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MILLION, THE SAME AS THE LAST FAIR (EXCLUDING THE ARTS AND CRAFTS BUSINESS, NOW HANDLED BY A SEPARATE CORPORATION), INCLUDING PING POINGEQUIPMENT, LEATHER BALLS, GLASSWARE, HARMONICAS, FOLDING CHAIRS, DRY CELLS, STRAW MATS, INDUSTRIAL GLOVES, AND SHOES -- BOTH LEATHER AND CANVAS. ALL OF THESE ITEMS WERE BOUGHT IN SMALL QUANTITIES. PRC SALES OF HARDWARE, TOYS, AND SPORTING GOODS TO THE US CONTINUE TO BE SMALL, DESPITE THE GOOD POTENTIAL.

E) ARTS AND CRAFTS: US PURCHASES TOTALED ABOUT \$6.5 MILLION, INCLUDING JEWELRY, ANTIQUES, PORCELAIN, STRAW GOODS, WILLOW AND RATTAN WARE, SILK FLOWERS, DRAWN WORK, AND CLOISONNE. PRICES WERE RAISED SELECTIVELY OVER LAST FAIR BY ABOUT 10 TO 30 PERCENT. QUANTITIES OF CLOISONNE NOT SUFFICIENT TO MEET US DEMAND. REPORTEDLY, THE CORPORATION HAS ESTABLISHED TWO EXPORT DEPARTMENTS IN THE CECF COMPLEX TO CONDUCT BUSINESS ON A YEAR-ROUND BASIS. HOWEVER, INDIVIDUAL BRANCHES HAVE ENCOURAGED US BUYERS TO DEAL WITH THEM DIRECTLY; ONE MAJOR US BUYER RATHER SURPRISINGLY CONCLUDED MOST OF HIS PURCHASES WITH THE CANTON BRANCH OF ARTCHINA, WHERE HE WAS TOLD THAT THERE WAS NO NEED TO GO TO THE FAIR SINCE "OUR BRANCH'S SELECTION IS EVEN BETTER;" THE SAME BUYER INTENDED TO VISIT PEKING AND TIENTSIN. ARTCHINA SEEMS LESS WILLING

THAN CHINATEX AND LIGHT INDUSTRY TO CONSIDER ALTERING ITS STYLES AND PATTERNS, AND IS RELUCTANT TO UTILIZE CUSTOMER-PROVIDED RAW MATERIALS OR EQUIPMENT.

F) SINOCEM: MUCH OF THE BUSINESS WAS CONCLUDED LATE IN THE FAIR, AND WAS DIFFICULT TO PIN DOWN. TOTAL PURCHASES BY AMERICAN FIRMS WERE ABOUT \$2.5 TO 3 MILLION WITH SALES EXCEEDING \$15 MILLION, LESS THAN HALF SOURCED FROM US AMERICAN FIRMS BOUGHT TRIETHYL, POTASSIUM PERMANGANATE, BARIUM CHLORIDE, PARAFFIN  
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MAGNESITE, SOLVENTS; CHINESE WERE ALSO TRYING TO SELL CALCIUM PETROEUM COKE, DIOSTEGENIN, SODIUM HYPERIN, BARIUM CARBONATE, AND CHLOROPICRIN. ON US SALES SIDE TREND IS STRONGLY TOWARD AGRICULTUREAL CHEMICALS AND AWAY FROM INDUSTRIAL CHEMICALS. YEN APPRECIATION HAS BEEN AIDING US AND EUROPEAN FIRMS IN THIS AREA. US FIRMS ALSO SOLD PLASTIC RESINS, DMT, POLYPROPYLENE, AND SMALL AMOUNTS OF MEDICAL EQUIPMENT.

G) MINMETALS: AS USUAL, PACE OF NEGOTIATIONS PICKED UP TOWARD THE END OF THE FAIR AND MANY DEALERS STAYED ON AFTER IT CLOSED. AS A VERY ROUGH ESTIMATE, US FIRMS PURCHASES TOTALED ABOUT \$5 TO 6 MILLION, INCLUDING TUNGSTEN, ANTIMONY REGULUS AND ANTIMONY TRIOXIDE, ZINC, MERCURY AND TIN. LITTLE GRAPHITE WAS AVAILABLE. MOST INTERESTING WAS THE AVAILABILITY OF TUNGSTEN IN SIGNIFICANT QUANTITIES. SUPPLIES OF TIN WERE LIMITED. MINMETALS OFFERED D/P PAYMENT TERMS TO WELL-KNOWN CUSTOMERS. A MINMETALS OFFICIAL STATED THAT THE FTC HAS NO PRESENT PLANS TO ENTER INTO ADDITIONAL LONG-TERM SUPPLY CONTRACTS WITH AMERICAN FIRMS LIKE THE ONE NEGOTIATED WITH CHROMALLOY FOR PURCHASES OF BARITE. THE SAME OFFICIAL STATED THAT US SUPPLIERS WHO HAD FAILED TO HONOR STEEL SCRAP AND ALUMINUM CONTRACTS HAD CAUSED END-USEERS TO BE LEERY OF DEALING WITH US FIRMS IN METALS. ON THE SALES SIDE, US MAY HAVE SOLD SOME ALUMINUM AND AMERICAN COMPANIES WERE INVOLVED IN SALES OF IRON ORE AND PIG IRON (FROM NON-US SOURCES) WITH A PROBABLY VALUE IN EXCESS OF \$15 MILLION. ON BOTH THE BUYING AND SELLING SIDE, MINMETALS NEGOTIATORS WERE REPORTED TO BE MUCH MORE AWARE OF WORLD SUPPLY AND DEMAND TRENDS, AND FOLLOWING THE LME QUOTATIONS MORE CLOSELY THAN IN THE PAST.

H) MACHIMPEX: US FIRMS SOLD SMALL QUANTITIES (ABOUT \$100,000) OF MISCELLANEOUS MACHINERY. ACCORDING TO A MACHIMPEX OFFICIAL, PRESENTATIONS WERE MADE ON BEHALF OF ABOUT 30 AMERICAN FIRMS INTERESTED IN EXPORTING. THIS OFFICIAL CLAIMED THAT SUCH PRESENTATIONS ARE A USEFUL WAY  
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OF INTRODUCING FIRMS AND SUGGESTED THAT FOR MAXIMUM IMPACT MACHIMPEX HEAD OFFICE IN PEKING SHOULD BE NOTIFIED ABOUT ONE MONTH IN ADVANCE OF THE CONTENT OF THE PROPOSED PRESENTATION, SO THE CHINESE SIDE CAN PREPARE. US MACHINERY PURCHASES WERE NEGLIGIBLE DUE TO POOR CHINESE RECORD ON DELIVERIES AND SPARE PARTS FOLLOW-UP. AS IN THE PAST, MACHIMPEX REPRESENTED TECHIMPORT WHICH WAS NOT OFFICIALLY PRESENT AT THE FAIR. MACHIMPEX AND OTHER CHINESE OFFICIALS CLAIMED THAT US EQUIPMENT FREQUENTLY COSTS MORE THAN COMPETING EUROPEAN AND JAPANESE ITEMS.

7. CONCLUSION : ALTHOUGH AMERICAN TRADERS CONTINUE TO COMPLAIN ABOUT THE CANTON FAIR AS A VENUE FOR DOING BUSINESS, AND ALTHOUGH INTEREST AND ATTENDANCE AT THIS FAIR WAS DEFINITELY LOWER THAN PREVIOUSLY, WE HAD THE IMPRESSION THAT MOST AMERICAN FIRMS WITH A SIGNIFICANT COMMITMENT TO IMPORTING FROM CHINA MADE AT LEAST A TOKEN APPEARANCE. THE CHINESE STILL REGARD THE FAIR AS AN IMPORTANT EVENT AND AMERICAN CHINA TRADERS ARE AFRAID THEIR COMPETITORS WILL GAIN AN ADVANTAGE IF THEY DO NOT SHOW UP. AT LEAST 300 BUSINSSMEN VISITED THE USLO SUITE, AND MANY EXPRESSED APPRECIATION FOR THE ASSISTANCE RENDERED. THE FAIRS STILL OFFER US THE BEST OPPORTUNITIES FOR CONTACT WITH CHINESE TRADE OFFICIALS.  
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## Message Attributes

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